

Global Sports Tech Scenario



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Overview

Introduction

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Global sport is currently in the midst of a technological revolution, spurred by the integration of cutting edge technologies into the packaging, distribution and consumption of products, services and content. The burgeoning market is expected to grow in value from \$11.70 billion in 2020 to \$36.20 billion by 2028, with a CAGR of 16.8 percent.^[1] This paper aims to provide an overview of global developments in these markets, identify key trends that define the transformation of sports in the digital era, and outline possible regulatory issues that policymakers may contend with in the coming decade.

In order to better understand the rich and complex sports technology ecosystem, we have categorised it into four broad areas based on the nature of solutions. These are:

i. Activity and Performance Tracking:

It includes wearable devices that collect data about athletic performance and the tools that are used to analyse it, in order to provide valuable insights. The applications are wide ranging - from professional athletes and teams, using cutting edge analytics tools up their game, to regular consumers who use these devices and tracking services to improve their fitness levels.

ii. Management and Organisation:

Platforms that can be used by sports teams, clubs and leagues to increase organisational efficiencies, fall in this category. These include the planning and organising of tournaments, as well as platforms for talent discovery. Illustratively, athletes can post their performance statistics and achievements, in the hope of attracting the attention of sponsors. In a non-professional setting, regular consumers can use such platforms to find fellow players with whom they can enjoy team sports such as cricket and football.

iii. Media and Content:

This category consists of new age media solutions for sports and sports entertainment. As consumers move away from legacy media like broadcast television to internet-based streaming services, a range of products and services have emerged. Further, the use of machine learning and artificial intelligence (AI) to enhance content packaging is another area which will develop in the next few years. This category also includes fan-based social media platforms or services that enable fans to engage with another.

ii. Betting and Gaming:

This category that consists of sports betting, online fantasy sports, video games and eSports. Online fantasy sports are a game of skill which allows players to use allocated resources to create a fictional team which wins points based on the real-life performances of selected players. Sports leagues such as FIFA (Federation Internationale de Football Association) and the NBA (National Basketball Association) have licensed video games and it is likely that eSports will attract regulation as they grow in popularity and scale.

[1] Sports Tech Market Size Report, Grand View Research (February 2021)

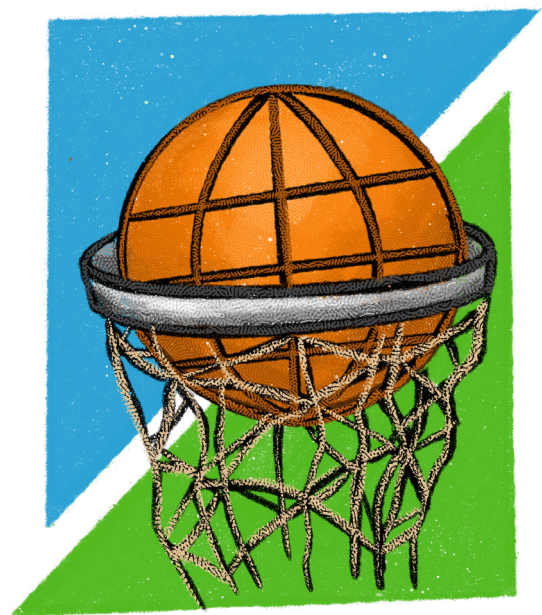
Fantasy Sports in India: A Growing Segment

India has more than 400 startups operating in the mobile gaming industry that continue to attract a large base of investors. The number of investment deals in the mobile gaming industry doubled during 2017-2019. Out of this, a significant portion was dedicated to Online Fantasy Sports Providers (OFSPs). Fantasy gaming startups collectively raised \$ 180 million in funding, accounting for approximately 59 percent of the total money raised by gaming startups between 2014 and first half of 2020. Over the last few years, online fantasy sports gaming grew exponentially as total users increased from 2 million in 2016 to 100 million in 2020. Along with fantasy gamer base, fantasy game operators also increased from 10 in 2016 to 70 in 2018. These operators largely run

on a freemium or a pay-to-play model. Dream11, which runs on a freemium model, is one of the largest fantasy gaming platforms in India. Other fantasy gaming platforms include MPL, HalaPlay, MyTeam11, My11Circle, and so on. The popularity of OFSPs has only grown with greater visibility, notably through Dream11 obtaining sponsorship rights to the 2020 edition of the Indian Premier League (IPL). Dream11 raised a further \$ 400 million at a valuation of \$ 5 billion in March 2021 signalling the immense potential for this segment in an increasingly digitised and entertainment hungry market.

Highlights from US Market

The United States is a developed sports market which boasts of globally popular sporting associations and franchises. Sports leagues with their deep pockets have been at the forefront of innovation, led by the NBA – considered the most cutting edge sports league in the world. The Sacramento Kings' Golden 1 Center is a shining example of constant innovation in arena technology.^[2] The National Football League (NFL) has its own venture capital fund which invests in companies and technologies that drive innovation in the sport and allied areas. Till date, it has invested in *Skillz*, a mobile gaming business and *OnLocation Experiences*, a hospitality and entertainment company that bundles ticketing with experiential programmes for fans.^[3] Individual teams in the Major League Baseball (MLB) have also run their own tech incubators and projects to fund innovation across sports and related areas.^[4] Robust interest and investment at the highest levels of American sport, underlines the understanding that technological innovation and digital transformation is the future of sports businesses.



[2] <https://www.nba.com/kings/golden-1-center-becomes-worlds-first-professional-sports-and-entertainment-venue-feature-iot-powered>

[3] <https://www.sportico.com/business/finance/2021/nfl-venture-capital-fund-1234621890/>

[4] <https://www.prnewswire.com/news-releases/la-dodgers-expand-commitment-to-innovation-with-announcement-of-global-sports-venture-studio-with-rga-300579189.html>

DraftKings: A Fantasy Sports Case Study

Founded in 2012, DraftKing popularised Daily Fantasy Sports (DFS) a shorter term model of the existing fantasy sports format. DFS considered a single game as opposed to an entire season. This format became exceedingly popular, and in 2013 the New York Times estimated that it accounted for \$492 million of the total \$1.6 billion spent on fantasy sports annually. In 2014, DraftKings acquired DraftStreet, the third largest operator in the sector, which grew its user base by 50 percent. It also entered into advertising and co-branding partnerships with three NHL and eight MLB teams. In 2015, the New England Patriots opened the DraftKings Fantasy Sports Zone, a fantasy sports themed nightlife and entertainment venue, at the Patriot's Gillette Stadium. In the same year, DraftKings pick up significant investments from Fox Sports as well as the NHL and the MLB.

The league ran into a number of challenges, including criticism that it encouraged gambling. Moreover, 2015 saw a controversy arise over employees of DraftKings participating (and winning) in contests on competitors' fantasy sports. Leading to charges BY WHOM? of an unfair advantage because it had access to data on their own platform. In response, DraftKings and FanDuel, its biggest competitor, both imposed bans on employees participating in competing DFS contests. This did not prevent a class action lawsuit against the two over the question of employees' unfair advantages.

Moreover, parallel investigations were opened into alleged deceptive advertising which implied that everyone who played DFS had an equal chance of winning. Action was also taken by some states, such as Nevada which declared DFS was gambling and mandated the companies to obtain gambling licenses. New York's attorney general issued a cease and desist order which barred DraftKings and FanDuel from operating in the state. This reversal in fortunes was referred to as an 'existentially threatening crackdown' by DraftKings CEO Jason Robins.

Some states took a softer stance, with Virginia officially legalising DFS. New York passed a legislation which classified DFS as a game of skill, allowing resumption of operations upon compliance with state fees and new consumer protection regulations. In 2018, the US Supreme Court struck down the Professional and Amateur Sports Protection Act (PASPA) a federal law that banned all forms of sports betting. This opened the door for states to legalise sports betting, and DraftKings expanded to offer online versions of casino games like slots and roulette in some states. In 2020, DraftKings went public through a merger with Diamond Eagle Acquisition Corp, receiving a market valuation of \$ 6 billion. Its stock prices have only increased despite the COVID-19 related disturbances in sports leagues. DraftKings has diversified by offering eSports and betting on non-sports events including politics and reality shows.

The COVID-19 pandemic came with unprecedented challenges for the sports ecosystem. As sporting events were cancelled en masse or held in empty arenas, this spurred the need for new means of revenue generation. Even as the pandemic wanes, it is unlikely that people will return to physical arenas and stadiums like they did before, making this shift in perspective permanent phenomenon. At the same time, stadiums and arenas themselves are undergoing end-to-end digital transformations in order to integrate IoT, data analytics, virtual reality (VR) and augmented reality (AR). The SoFi Stadium in Los Angeles, home to the LA Rams and LA Chargers, entered into a partnership with

Cisco in October 2019 that establishes the tech and communications giant as the official IT network services partner of the Stadium. This partnership significantly boosts the WiFi infrastructure, enabling faster speeds for immersive-experience applications while also providing greater bandwidth for employees and operations.^[5]

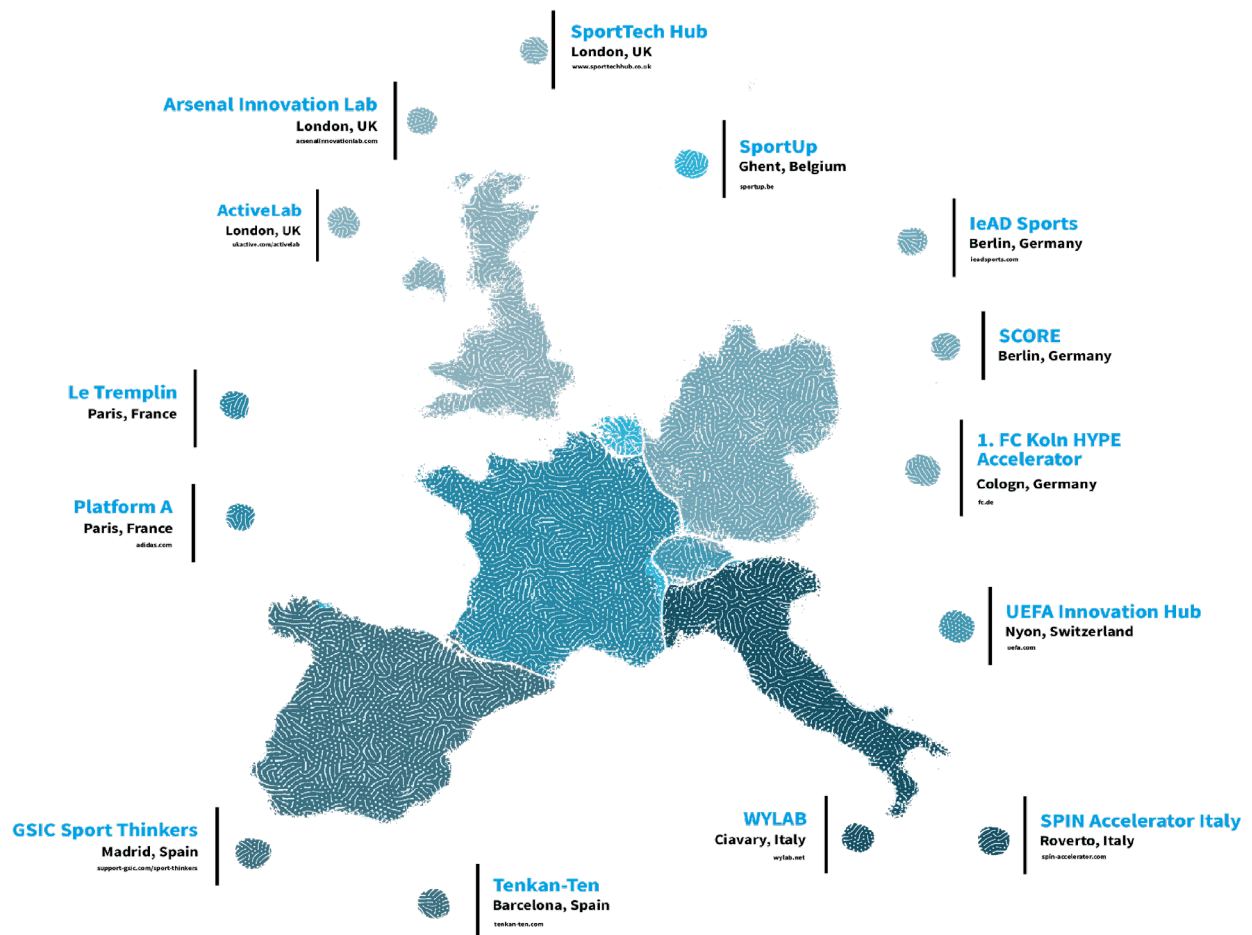
[5] <https://www.prnewswire.com/news-releases/hollywood-park-partners-with-cisco-to-create-world-class-technology-showcase-300948953.html>

Highlights from EU Market

The European football market is one of the biggest sports markets in the world, valued at over 25 billion Euros in 2019.^[6] It is a lucrative hub for investment and innovation in the sports tech ecosystem, with numerous funds and incubators dedicated to sports. Despite the problems of COVID-19, 2020 saw investments worth 400 million Euro despite lockdowns. In particular, the UK, Germany and Sweden attracted the maximum funding that year. Of the total funding raised, 55 percent went towards the Activity and Performance category, followed by fan facing solutions at 30 percent. The remaining 15 percent of the funds went towards B2B solutions.

Unsurprisingly, fitness, content and eSports dominated the investment landscape, because they provided

consumers with at-home solutions in an era of movement restrictions. G-Loot, a Swedish eSports platform, saw the largest investment at 51 million Euros. 2020 also saw an immense demand for sports content, signalling the shift towards 'sportstertainment' that includes behind-the-scenes videos, including sports documentaries such as All or Nothing on Amazon Prime and Michael Jordan's Last Dance on Netflix. There was also significant activity on dedicated sports streaming platforms such as ELEVEN, which offers a wide range of live sports, as well as premium long form and short form content with a portfolio of sports stars. Similarly, OneFootball, the most popular digital media platform for soccer fans, raised 50 million Euros and acquired Dugout, adding behind-the-scenes content, live and archival footage to its offering.



SportsTech Accelerator & Incubator Programs in Europe

Identifying Global Trends in Digital Transformation

The digital transformation of sports presents exciting opportunities not only to provide better products and services to existing sports fans, but to attract new, younger fans and grow the scope of the overall sports market exponentially. By giving people new ways to engage with the world of sports, innovators are making this a more arresting and inclusive experience.

COVID-19 Impact

- Rise of the stay-at-home consumer, redefining their relationship with sports and fitness related products. At home/personal tracking and training are likely to be areas of growth.
- Virtual attendance to sporting events, live-streaming etc will continue to be immensely relevant as social distancing concerns linger. It will also drive demand for sports content beyond live events.
- The door is also open for broader brand-based engagement with fans through wider experiences such as quizzes and activities focused on a particular team or franchise.
- Future of fitness is a hybrid between home fitness and facilities powered by new technologies that can track performance and provide feedback/ personalised training.

Based on a survey of developments in leading markets, one can identify the following broad trends that are likely to shape the development of sports tech, and consequently, sports businesses, in the next few years:

- **Data Analytics:** As with other areas, data analytics is vitally important to the ongoing digital transformation of sports. The growth of wearable technology with multiple sensors has made it possible to collect data from individual workouts in real time,

providing regular consumers with stats, information and instructions on how to improve their game or fitness levels. At the highest levels of sport, these tools are already used widely. In January 2020, the BCCI announced the creation of a data analytics wing for India's National Cricket Academy (NCA) to improve Team India's performance, inform selection and also study information on sports injuries.^[7] In the content world, data analytics and machine learning are being used to create automated content without human intervention.^[8] As such, data is an incredibly valuable factor of production and companies that hold large datasets of relevant data stand to benefit tremendously.

- **Arena Innovation:** Technology is also playing a key role in transforming stadiums and arenas around the world. Immersive multimedia experiences at sports venues allow for deep fan engagement through technologies such as AR, where fans may be able to play games while waiting between two halves of a football match or take selfies with holograms of their favourite athletes. In other words, arenas themselves are becoming multimedia platforms for a particular team or franchise by integrating virtual spaces and experiences with physical ones to boost fan engagement with the sport and the franchise.
- **Platformization:** Arenas are not the only platforms at play in sports tech. The platform economy that can be seen around the internet, especially in content and social media, has now translated into sports as well. The shift away from traditional mediums such as broadcast TV for the consumption of sports content has spurred the creation of sports media platforms such as DAZN, in addition to others mentioned above. This area is likely to see shifts and consolidation around licensing rights to live events, but is also going to witness a significant creation of original sports content. It is likely that sports fans will get their own social media platforms, as companies can expand or pivot into this area with their existing consumer bases. Wearable technology provides another such opportunity – enabling users to share their workouts and build social experiences around them. Moreover, platforms that can secure co-branding partnerships

[7] <https://analyticsindiamag.com/bcci-data-analyticswing-national-cricket-academy-ganguly-dravid/>

[8] <https://www.ibm.com/thought-leadership/institute-business-value/report/ai-sports-video>

with sports leagues or teams are likely to benefit from the existing fan bases of these entities.

- **eSports:** eSports is the fastest growing competitive sports segment in the world. Fuelled by the popularity of the larger gaming market, eSports is on track to overtake traditional sports in terms of viewership. In 2020 alone, eSports viewership rose by 70 percent in the US, spurred by the pandemic and the global audience is expected to grow to 796 million viewers by 2024.^[9] Just like traditional sports, eSports involve sponsorships, media rights, publisher fees, merchandising and ticketing opportunities, as well as streaming. eSports also has synergies with related segments, driving up sales of video games, hardware and even interest in traditional sports. Major leagues such as the NBA and FIFA have licensed video games developed by EA Sports, which, in addition to being immensely successful, also create avenues for eSports competitions. The lack of a AAA IPL video game is a golden opportunity for any developer who can secure the licensing rights from the league and create such a product.
- **Personality-based Engagement:** Athletes and sports stars are some of the most popular faces on the planet with gigantic global followings. A large degree of fan engagement with sports is often driven by individual personalities - Sachin Tendulkar, M.S. Dhoni, Michael Jordan, Cristiano Ronaldo etc. The overarching influencer culture, as a part of which sports stars interact with and provide more content to fans via their social media pages, only amplifies their cult status. This is likely to continue, with personalities lending their weight to companies, products and services that innovate within the sports ecosystem.

Conclusion

While the sports tech universe represents one of the most exciting frontiers of new digital markets, it presents a complex and challenging tapestry for policymakers. The dynamism of this sector combined with the cutting-edge technologies at play requires an approach that is agile, flexible and knowledge-driven. This is essential to achieve legitimate objectives such as consumer protection while preserving businesses' ability to innovate with new technologies, applications and business models. A dialogue and engagement with industries and startups at the forefront of this digital transformation can help achieve this goal. As with many other spheres within the digital ecosystem, proactive instead of reactive regulation and cooperation with industry, civil society, sportspersons and other experts will ensure that the widest range of stakeholders can enjoy the socio-economic of sports' digital transformation.